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C O N F I D E N T I A L SECTION 01 OF 03 MOSCOW 000766

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TAGS: [PGOV](#) [ECON](#) [RS](#)
SUBJECT: SMOLENSK: CONTESTED MAYOR ELECTION, LIMITED
ECONOMIC DEVELOPMENT

REF: A. 08 MOSCOW 3575
[1](#)B. 08 MOSCOW 436
[1](#)C. 08 MOSCOW 411

Classified By: Political MC Alice G. Wells for reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) In a March 18-19 visit to the city of Smolensk, journalists, political parties, business people, and local officials told us the economic crisis has had limited effect on the region, but it had hindered future growth and hurt small businesses. Few companies have declared bankruptcy, but some have cut back hours and staff. Opposition parties hailed the March 1 election of an independent United Russia member in lieu of the party's designated candidate, calling it a "vote of protest" against the policies and alleged corruption of United Russia. However, they also complained of poor access to the media and United Russia's use of "administrative resources" to secure the election victory. The new mayor is expected to rein in corruption and better deliver services despite declining tax revenues. The recently appointed Human Rights Ombudsman told us that corruption will not end until the executive branch is checked by an independent legislature and judiciary. The mayoral election results may match a growing trend of electoral competition within United Russia, and of dissatisfaction with the local apparatchiks. End Summary.

Economic Crisis: Not here

[1](#)2. (SBU) During a March 18-19 visit, political party leaders, business people, and journalists in Smolensk lamented the lost opportunity to attract investment to the region during the oil-fueled boom times of the last few years. Due to the lack of investment, Smolensk's economy has only contracted slightly, with the crisis accelerating a decline in tax revenues and squeezing small business operations, with entrepreneurs ruling out expansion in the near term. President of the Smolensk Chamber of Commerce and Industry Vladimir Arkhipenkov told us that with banks charging small businesses in excess of twenty percent for loans, business owners have resorted to cutting staff, cutting back on salaries, and putting expansion plans on hold. However, Arkhipenkov was quick to note that, as yet, few companies had declared bankruptcy.

[1](#)3. (SBU) The regional administration took exception to any description of an economic crisis in the region, calling the programs of the Prime Minister and President sufficient to address the crisis. While Smolensk's Deputy Chief of the International Relations and Cooperation Department Oleg Ivanov conceded that large-scale investment in the next couple of years was unlikely, he stated that the administration was hoping to develop plans that can be used when capital frees up, including the development of a tourism industry that would attract Poles, Belarusians, and Western

Europeans to Smolensk for fishing, hunting, culture, and history. However, this approach appears to ignore the lack of existing tourist infrastructure and a poor track record of attracting visitors to the region. The local newspaper, Worker's Way, in an article April 19 put the number of "foreign" tourists at just over one thousand for 2008 (the number of Belarusian visitors was not calculated as they were not considered foreign), a number that is unlikely to attract large investment.

Democracy within United Russia

¶4. (SBU) Smolensk came to national attention for the conduct and results of its March 1 elections. Of the twelve candidates vying for the position of mayor, five were from the United Russia party. The winner, Eduard Kachanovskiy, was a member of United Russia, but he was not the party's preferred candidate on the ballot. His principal opponents in the race were former mayor Vladislav Khaletskiy and Valeriy Razulaev, also United Russia members. Viktor Pupchenkov head of the party's regional executive committee, said that the party had put forward Razulaev in place of the former mayor because it wanted a new face that would draw more young people into the party. That said, Pupchenkov was quick to point out that while the local party was not happy with the results, which in his view resulted in the election of a less qualified candidate, the party would work with the new mayor. "He may not be our choice, but he is a member of our broader party," Pupchenkov said. However, the opposition and journalists assessed that the lack of a deputy mayor or any appointments to the mayor's staff was symbolic of

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infighting within United Russia; a fight that Pupchenkov dismissed as normal after a transition. He also argued that the mayor should seriously consider retaining some of the prior mayor's staff due to their experience.

¶5. (SBU) Opposition parties, including the Communist Party, Just Russia, and Right Cause argued to us that their candidates had little chance of winning at the polls, due to United Russia candidates' access to "administrative resources." But despite their complaints on the fairness of the campaigning process, the opposition parties were optimistic on the outcome and future election prospects. Communist Party First Secretary Valeriy Kuznetsov told us that the election of Kachanovskiy was "a vote of protest" by those tired of corruption and the lack of services. Just Russia's Viktor Yesin echoed this comment, adding that the new mayor was widely respected for being intelligent and able to get things done. Yesin was optimistic that for Smolensk, at least, the arena for true political competition had opened. He expressed hope that future regional and local Duma elections would see a willingness by the electorate to ignore the dictates of Moscow and United Russia, and instead pick the best candidate.

¶6. (SBU) Mikhail Khvostantsev of Right Cause assessed that on election day, voters made a choice between the far left, far right, or the United Russia-dominated center. If United Russia can no longer expect automatic support for its preferred candidates, democracy could improve, including the situation for Right Cause. That said, all of the opposition parties bemoaned United Russia's ability to dominate the media, with the Communists appealing for the results to be annulled -- while passionate on this point, Kuznetsov said the party would not take the issue to the courts. The opposition pointed to the popularity of PM Putin and the association of United Russia with his name as part of the reason United Russia associated candidates dominated in the elections. While visiting the two United Russia offices in Smolensk, one could not escape noticing that the offices' signs had two lines of text with the largest type reserved for "The Party of Putin."

17. (SBU) The new mayor faces a series of problems in providing services, and he will be constrained by falling tax revenues and a corruption-laden privatization program, a legacy of the former mayor. Journalist Sergei Kovalev alleged that corruption now touched garbage collection services, repair and revitalization of communal housing units, road repair, and other public works projects. Opposition party leaders and journalists hope the mayor can find a way to work through the corruption and get things done. However, Yesin surmised that with the fall in local tax revenues and the slow deterioration of local industry, due to lack of investment in former state-run enterprises, the only solution was the appointment of an "Abramovich or Bill Gates" as governor -- someone with personal resources who could buy the region out if its decline. Shy of that, he and other prominent citizens believed that Smolensk will continue to be rooted in its past with architecture and infrastructure to match.

18. (SBU) Newly appointed Ombudsman for Human Rights Aleksandr Kapustin shared with us that the lack of services was hurting pensioners and the poor the most. The majority of the complaints he addressed were the lack of services to communal housing units and the poor communication between the people and the authorities. He also expressed frustration with the overall direction of Russia. As long as the concept of three separate but equal branches of government did not work in Russia, "there will be no true democracy in the country," and "it is not possible to successfully fight corruption."

Comment

19. (C) Smolensk remains a rather conservative region within the Russian Federation and unlikely to lead the way in social and political change. However, the results of the mayoral election and the outspoken complaints on corruption may match a broader trend, as evidenced by recent elections in Tver and Murmansk. It remains to be seen if United Russia and the Russian leadership will continue to allow competition within the party at the local level. If the party squelches this rather limited outlet for dissent and political competition, some ambitious local politicians may seek alternative paths to political posts and would be welcomed by opposition political parties, which are also vying for the center of the

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Russian electorate.
BEYRLE